

**Review of the RRB's Contract with Comprehensive Health Service, Inc.
For Disability Examinations and Services, Report No. 01-10, August 7, 2001**

INTRODUCTION

This report presents the results of the Office of Inspector General's (OIG) review of the Railroad Retirement Board's (RRB) contract with Comprehensive Health Service, Inc. (CHS) for disability examinations services.

BACKGROUND

The RRB's mission is to administer retirement, survivor, unemployment, and sickness insurance benefit programs for railroad workers and their families under the Railroad Retirement Act and the Railroad Unemployment Insurance Act. During fiscal year 2000, the RRB paid \$8.3 billion in net retirement and survivor benefits to about 724,000 beneficiaries. The RRB also paid \$76.5 million in net unemployment and sickness benefits to about 14,000 railroad workers who received unemployment insurance benefits and 23,000 who received sickness insurance benefits. These benefit programs provide income protection during old age and in the event of disability, death, temporary unemployment, or temporary sickness.

The disability program is mandated by the Railroad Retirement Act and administered by the RRB's Office of Programs. This office is responsible for evaluating evidence submitted in support of disability applications, obtaining additional evidence, and awarding or denying disability benefits. The RRB uses consultative examinations and/or ancillary tests as supportive evidence in making a determination of disability under the Federal guidelines for either a current or former railroad employee or his/her dependent. The RRB will order only the specific type of examinations and tests needed for a disability determination. For example, if special tests such as X-rays or blood studies will furnish the additional evidence needed, the RRB will not authorize a more comprehensive medical examination.

On May 1, 1994, the RRB signed a contract with Network Medical Services (formerly CardioMetrix) for scheduling consultative examinations, notifying disability applicants of appointments, and submitting medical reports summarizing examination results. In April 1997, the RRB prepared a Request for Proposals – Disability Examination Services (97-B-02). The solicitation stated that the RRB's goal was to put together a program whereby an outside contractor would furnish needed consultative examinations to the RRB. The contractor would also establish and maintain systems and procedures necessary to provide consistent quality, adequate control, and timely response. Cost control, accuracy and utilization of electronic data interchange, including a paperless payment system, would also be intended benefits of such a contract.

On February 2, 1998, a contract to provide disability examination services was awarded to CHS. CHS was allowed approximately 60 days to become acclimated to RRB's

disability program and accordingly started scheduling examinations on April 1, 1998. The one-year CHS contract has an option for four years that allows for an annual extension of one year. Network Medical Services' existing contract was allowed to expire on April 30, 1998.

The RRB's Bureau of Supply and Service (BSS) manages the agency's contracting activities including selection, award, administration, and close out. The Director of Supply and Service is the agency's Contracting Officer and is the only person authorized to make or approve changes in the contract requirements. The Director of Supply and Service has designated the Director of Disability, Sickness, and Unemployment Benefits, formerly known as the Director of Disability Benefits, in the Office of Programs to serve as the Contracting Officer's Technical Representative (COTR). The responsibilities of the COTR include:

- Ensuring that the Contractor complies with all technical requirements of the work defined in the scope of work;
- Monitoring the administrative and fund aspects of the contract;
- Assisting the Contractor in interpreting technical requirements of the subject contract's scope of work; and
- Assisting in the closeout of the contract.

In addition, there is a BSS Contract Administrator who is the RRB contact person for all administrative matters pertaining to the contract.

The total number of CHS examinations and the amount paid to CHS for the last three fiscal years is shown in the chart below.

Fiscal Year	No. of Exams	Amount Paid to CHS for Examinations
1999	12,925	\$2,215,916.59
2000	9,562	1,815,940.11
October 2000 through March 2001	3,880	798,557.00
Total	26,367	\$4,830,413.70

The CHS contract impacts several strategic objectives as defined in the RRB's 2000-2005 Strategic Plan. The objectives are to:

- Pay benefits accurately and timely;
- Use outside sources and partnerships, when appropriate, to accomplish the RRB's mission; and
- Ensure that the RRB consistently pays the lowest price for products and services commensurate with quality, service, delivery, and reliability.

OBJECTIVE AND SCOPE

The objective of this review was to determine how effectively the RRB is monitoring the contract with CHS. This objective included assessing how the RRB ensures that CHS adheres to the contract. Our scope covered the contract performance during fiscal years 2000 and 2001.

To accomplish the audit objective, we performed the following audit steps:

- Reviewed applicable laws, regulations, procedures, and other background material;
- Prepared a preliminary analysis of controls;
- Reviewed the CHS contract;
- Conducted interviews with RRB officials;
- Examined management reports for the last six months to determine if the reports were relevant and included pertinent data;
- Analyzed agency follow-up procedures on the contract, including follow-up on late medical examinations and specific problems with CHS performance; and
- Assessed the possible impact on agency performance goals due to compliance/non-compliance with contract terms.

The fieldwork was performed at the RRB's headquarters in Chicago, Illinois during the period February through June 2001. This audit, included in the OIG's Fiscal Year 2001 Annual Work Plan, was performed in accordance with generally accepted government auditing standards appropriate for this type of review.

RESULTS OF REVIEW

This review determined that improvements are needed for more effective monitoring of CHS's performance. CHS is not meeting the timeliness performance criteria in the contract. The Office of Programs is not fully monitoring CHS's performance on medical examination reports. In addition, the CHS contract does not contain specific criteria addressing an acceptable number or percentage of rejected medical examination reports. Auditors also determined that the Contracting Officer has not prepared a modification to the contract documenting the RRB's return of a computer loaned by CHS. Additional details of findings are provided in the following sections of this report.

Timely Performance

CHS is not meeting the timeliness performance criteria in the contract. CHS has only met the timeliness criteria in one month, April 1998, since the inception of the contract. This was the first month of the contract and CHS only performed five medical examinations. The chart in the Appendix shows CHS performance from April 2000 through March 2001.

The contract states the overall timeliness criteria for routine and urgent medical examination reports. All urgent medical examinations must be completed within 28

days. Eighty percent of routine medical examinations must be completed within 35 days and 100 percent of routine examinations within 45 days. In addition, that contract states that, for routine cases, CHS shall contact the disability applicant by telephone within 7 calendar days after receipt of an order. The examination date shall be no later than 14 calendar days after the applicant has been contacted. An examination report must be received by the RRB no later than 14 calendar days after the examination is completed, for a total processing time of 35 calendar days.

One possible cause for not meeting the timeliness performance criteria is a breakdown within the contract-stipulated timeframes for routine cases. RRB management stated that the RRB now issues letters to disability annuitants in selected instances to facilitate scheduling disability examinations and assist CHS in meeting the timeframes. For example, the RRB sends a letter explaining why another medical examination through CHS is needed for disability cases in which the annuitant may qualify for early Medicare coverage. CHS requested this additional letter because many annuitants feared that their annuity would be cut or discontinued. RRB management also stated that the contract standards for timeliness are a work in progress. The CHS contract is only the agency's second attempt at setting performance criteria for medical examination reports. In addition, RRB management advised that it has communicated with CHS periodically to discuss performance issues.

Another possible cause for not meeting the timeliness criteria is CHS medical examination reports rejected by the RRB. The contract includes the time it takes RRB staff to review rejected cases in the computation of CHS's timeliness. Therefore, rejections decrease the timeliness performance of CHS.

Because CHS is not meeting the timeliness performance criteria, medical examination reports are late, disability performance goals could be adversely affected, and the RRB pays full price for service that is not performed in a timely manner.

Recommendation

The Office of Programs should determine why CHS is not meeting the timeliness performance criteria and recommend improvements to help CHS meet the timeframes (Recommendation #1).

Management's Response

The Office of Programs concurs with the recommendation and plans to conduct a special study of cases that did not meet the timeliness standards.

Contract Monitoring

The Office of Programs does not fully track the timeliness of urgent and routine medical examination reports. The COTR is responsible for monitoring technical compliance and

informing the Contracting Officer of any performance failure by CHS. The contract with CHS contains separate timeliness performance criteria for the delivery of urgent and routine medical exam reports. The information tracked in the system-generated reports currently includes:

- The total number of medical examination reports pending;
- The number of reports pending more than 20 days and 89 days;
- The total number of reports completed as well as the number and percentage completed within 35 days and 45 days;
- The mean and median processing times; and
- The number of completed reports over 29 days late.

The Office of Programs has not requested programming changes to reports that would separate data on urgent and routine medical examinations for some of the tracking information. For example, the report on the number and percentage of examinations completed within 35 and 45 days combines data for urgent and routine examinations, even though these timeframes apply only to routine examinations. Routine and urgent medical examinations are also not separated in tracking the total number of completed examination reports, the number of completed reports more than 29 days late, and the number of reports pending more than 89 days. In addition, there is no report showing the number and percentage of urgent examinations completed within the 28 days stipulated in the CHS contract.

Without fully tracking urgent and routine medical examinations, RRB management does not have a complete picture of CHS's performance under the contract.

Recommendation

The Office of Programs should request programming changes and revise reports to fully track routine and urgent medical examination reports (Recommendation #2).

Management's Response

The Office of Programs agrees with the recommendation and will request programming changes to include this information in the monthly reports.

Quality Measurements

The contract does not contain specific criteria stipulating an acceptable percentage of CHS medical examination reports that the RRB can reject. The Office of Programs also does not report the number of rejected medical examination reports.

The Federal Acquisition Regulations require the agency to ensure that requirements for services are clearly defined and appropriate performance standards are developed so that the agency's requirements can be understood by potential offerors and that

performance in accordance with contract terms and conditions will meet the agency's requirements. The contract contains very specific requirements for timeliness and for the performance of the medical examinations by the doctors.

Office of Programs management believes the timeliness goals, along with the clear procedures for performing examinations, are sufficient quality measurements. CHS is not paid until the RRB accepts the examination report. Office of Programs management also stated that a high number of rejects would impact the timeliness of the CHS medical examination reports and be reflected in the RRB monitoring reports they currently issue. In addition, BSS management stated that the RRB could implement further action through formal notices when there is a performance problem. However, the RRB has not sent any formal notices to CHS.

Also, RRB management believes that its ongoing communication with CHS sufficiently addresses performance issues. The Office of Programs has advised that the RRB rejected 3.9 percent of CHS medical examinations submitted from April 2000 through March 2001.

Unusually high rejects would impact the RRB's ability to meet customer service goals for paying benefits in a timely manner.

Recommendations

The Office of Programs should:

- Define and obtain agreement from CHS on an acceptable percentage of rejected medical examination reports. This agreement should be documented in a modification to the contract (Recommendation #3).
- Report the percentage of rejected medical examinations on a monthly basis (Recommendation #4).

Management's Response

The Office of Programs does not fully agree with recommendation #3, but concurs with recommendation #4. For recommendation #3, the Office of Programs will instead include a review of rejects with the special study done in conjunction with recommendation #1.

OIG Response

The OIG believes that the suggested alternative for corrective action on recommendation #3 is satisfactory.

Modifications to Contract

The Contracting Officer did not prepare a modification to the contract documenting the return of computer equipment referenced in Modification No. 2 to the contract. Modification No. 2, effective July 7, 1998, stated that CHS provided the Office of Programs with one personal computer loaded with CHS's proprietary software. This PC system enabled the Office of Programs to access CHS's information on medical examination reports.

On December 18, 2000, the Office of Programs obtained access to CHS's system via secured access through the Internet. Due to this development, the computer was no longer needed by the Office of Programs and was returned to CHS on February 22, 2001.

The Federal Acquisition Regulations require that a modification be prepared for any supplemental agreement to the contract. A supplemental agreement is a contract modification that is signed by the contractor and the Contracting Officer. Supplemental agreements are used to reflect other agreements of the parties modifying the terms of the contract.

The COTR failed to inform the Contracting Officer that the computer equipment was returned to CHS. Without creating a new modification to the Contract, Modification #2 is still legally binding.

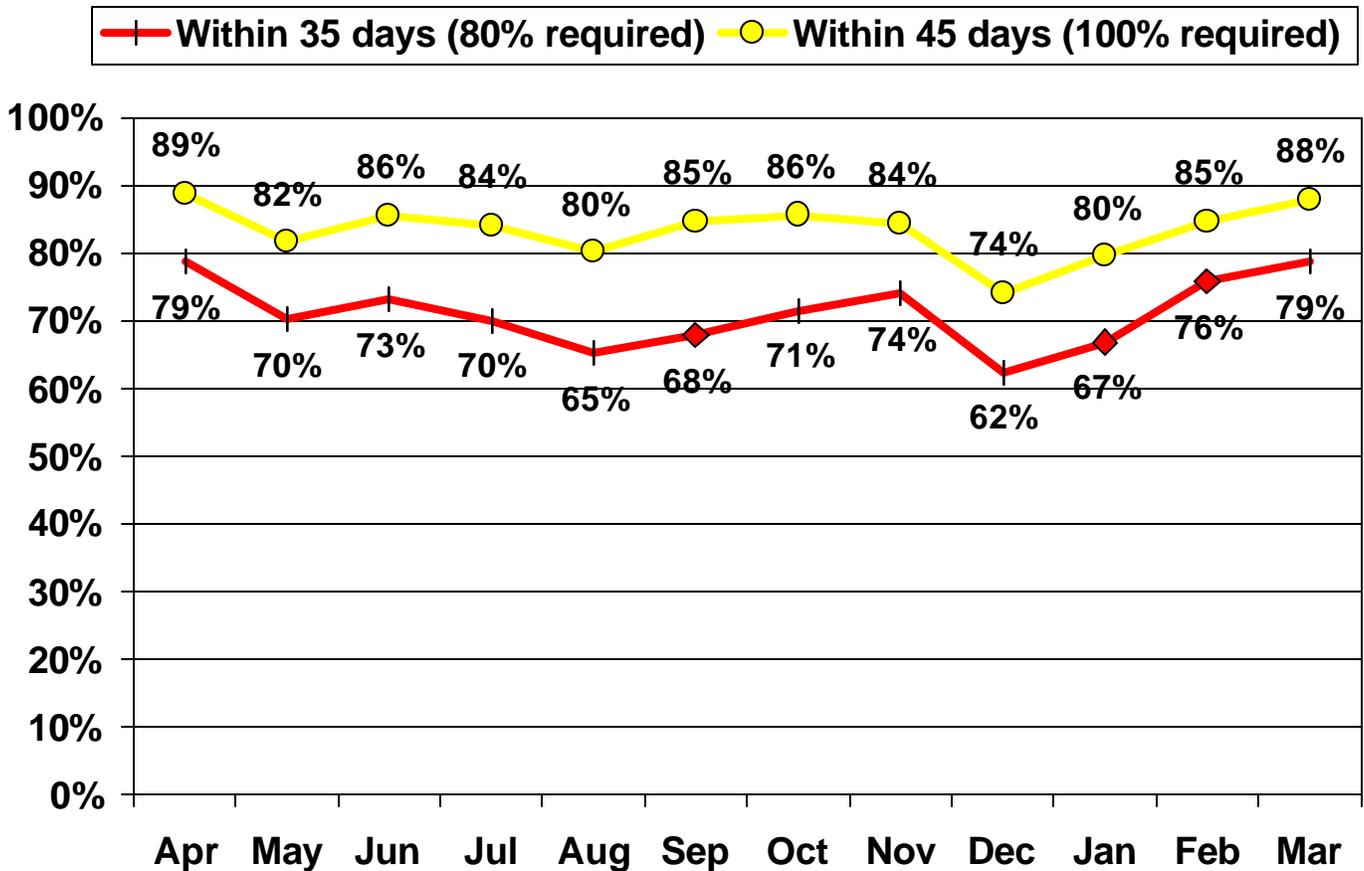
Recommendation

The Bureau of Supply and Service should prepare a new contract modification to indicate the return of CHS's computer equipment and to provide the reason for the return. (Recommendation #5).

Management's Response

The Bureau of Supply and Service concurs with the recommendation and will prepare a contract modification.

CHS Timeliness (Percentage of medical exam reports completed)



(April 2000 through March 2001)

This table charts the timeliness of CHS in completing medical exam reports from April 2000 through March 2001 by comparing the required standard with the actual percentage completed.

Reports due within 35 days (80% is required): April 79%; May 70%; June 73%; July 70%; August 65%; September 68%; October 71%; November 74%; December 62%; January 67%; February 76%; March 79%.

Reports due within 45 days (100% required): April 89%; May 82%; June 86%; July 84%; August 80%; September 85%; October 86%; November 84%; December 74%; January 80%; February 85%; March 88%